

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
AND

INDEPENDENT AUDITORS' REPORTS

Gregg A. Neis CPA

CERTIFIED PUBLIC ACCOUNTANT

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

TABLE OF CONTENTS

Independent Auditors' Report on Financial Statements	1-3
Financial Statements	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5-8
Schedule 1	
Summary of Expenditures - Actual and Budget	9
Schedule 2	
Statement of Receipts and Expenditures - Actual and Budget	
General Fund	10
Special Machinery and Fire Contribution Reserve	11

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

June 25, 2015

Board of Trustees
Kanwaka Township, Douglas County, Kansas
548 N 1700 Road
Lawrence, KS 66049

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kanwaka Township, Douglas County, Kansas a municipality, as of and for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Kanwaka Township, Douglas County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Kanwaka Township, Douglas County, Kansas as of December 31, 2014, or changes in financial position and cash flows there of for the year then ended.

Opinion on Regulatory Basis of Accounting

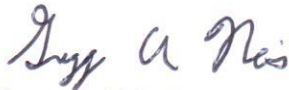
In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Kanwaka Township, Douglas County, Kansas as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Regulatory Required Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2013 actual columns presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedule 2 as listed in the table of contents) are presented for comparative analysis and are not a required part of the 2013 basic financial statement upon which I rendered an unqualified opinion dated May 28, 2014. The 2013 basic financial statement and my accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, at the following link <http://da.ks.gov/ar/muniserv/>.

Such 2013 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statement. The 2013 comparative information was subjected to the auditing procedures applied in the audit of the 2013 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 basic financial statement and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the prior year 2013 comparative information is fairly stated in all material respects in relation to the 2013 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in dark ink, appearing to read "Gregg A. Neis". The signature is written in a cursive, flowing style.

Gregg A. Neis CPA

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Summary of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2014

Funds	Beginning Unencumbered Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add		Ending Cash Balance
						Outstanding Encumbrances and Accounts Payable		
Governmental Type Funds:								
General	\$ 382	\$ -	\$ 508,270	\$501,409	\$ 7,243	\$ -		\$ 7,243
Special Revenue Funds								
Special Machinery Reserve	82,286	-	46	-	82,332	-		82,332
Fire Contribution Reserve	31,476	-	1,751	27,081	6,146			6,146
Total Reporting Entity	\$ 114,144	\$ -		\$528,490	\$ 95,721	\$ -		\$ 95,721
Composition of Cash								
			Central Bank of the Midwest, Lawrence, Kansas					
					\$ 172,446			
					76,725			
						Total Cash		\$ 95,721

The accompanying notes to financial statements are an integral part of this statement.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Kanwaka Township, Douglas County, Kansas, (the Township) is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Township to use the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Township are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Township:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Assets and Liabilities

Deposits

At year end the carrying amount of the Township's deposits, was **\$95,721**. The bank balance was **\$172,446**. Of the bank balance, **\$250,000** was covered by FDIC insurance. State statutes require Township's deposits in financial institutions to be entirely covered by FDIC insurance or by pledged securities held under joint custody receipts issued by a third-party bank in the Township's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Township, the pledging bank and the independent third-party bank holding the pledged securities.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide the following sequence and timetable in the adoption of the legal annual budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing. Adoption of the final budget on or before August 25th. The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, agency funds and the following special revenue funds:

Special Machinery Reserve Fund
Fire Contributions Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulation, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2- DEFINED BENEFIT PENSION PLAN

Plan Description Kanwaka Township Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 South Kansas Avenue; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding policy K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates are determined by the member-employee employment date in a covered position at either 4 or 6 percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 2- DEFINED BENEFIT PENSION PLAN – Continued

KPERS are funded on an actuarial valuation. KPERS are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rates established by statute for January 1 to December 31, 2014 was 9.69%. The Township employer contributions to KPERS for the year ending December 31, 2014, were **\$9,342**, equal to the statutory required contributions for the year.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance-Related Legal and Contractual Provisions

Management was not aware of statutory violations.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance during the past fiscal year.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2014

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
Governmental Type Funds:					
General	\$ 502,291	\$ -	\$ 502,291	\$ 501,409	\$ 882

The accompanying notes to financial statements are an integral part of this statement.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

	Budget	Actual	Variance- Favorable (Unfavorable)	Prior Year Actual
Receipts				
Douglas County Treasurer				
Ad Valorem Property Taxes	\$ 427,639	\$ 418,716	\$ (8,923)	\$ 414,249
Delinquent Property Tax	1,500	8,883	7,383	7,864
Motor Vehicle Taxes	45,384	49,489	4,105	48,108
Recreational Vehicle Taxes	783	831	48	836
16/20 Motor Vehicle Taxes	938	1,067	129	962
Special City County Highway - Gas Tax	24,380	25,037	657	25,000
Flood Control	900	1,321	421	1,237
Other Commercial Vehicle	-	1,632	1,632	-
Dg Co Dust Palliative Road Reimbursement	100	432	332	6,179
Township Hall Rent Reimbursement	-	500	500	405
Reimbursement/Refunds		260	260	307
Interest on Idle Funds	150	102	(48)	65
Total Receipts	<u>\$ 501,774</u>	<u>\$ 508,270</u>	<u>\$ 6,496</u>	<u>\$ 505,212</u>
Expenditures				
Per Diem Officer Meetings	\$ 14,550	\$ 14,450	\$ 100	\$ 14,500
Wages	77,000	103,422	(26,422)	117,883
Employee Benefits	43,000	23,526	19,474	6,374
Equipment	120,000	109,556	10,444	70,990
Building Expense	-	15,566	(15,566)	
Utilities	31,000	16,982	14,018	10,302
Insurance	31,000	25,992	5,008	24,919
Supplies and Repairs	75,120	45,485	29,635	54,471
Fuel	25,000	17,128	7,872	20,104
Office		483	(483)	434
Hired Services	5,000	9,497	(4,497)	4,550
Communications		7,778	(7,778)	5,119
Radio			-	40,244
Road Materials	80,621	76,351	4,270	94,927
Road Dust Control		35,083	(35,083)	39,551
Training		110	(110)	660
Operating Transfers Out	-	-	-	-
Total Legal Expenditures	<u>502,291</u>	<u>501,409</u>	<u>882</u>	<u>505,028</u>
Adjustment for Qualifying Budget Credits				
Total Expenditures	<u>\$ 502,291</u>	<u>\$ 501,409</u>	<u>\$ 882</u>	<u>\$ 505,028</u>
Receipts Over (Under) Expenditures	<u>(517)</u>	<u>\$ 6,861</u>	<u>\$ 7,378</u>	<u>\$ 184</u>
Unencumbered Cash Balance - Beginning	<u>517</u>	<u>382</u>		<u>198</u>
Prior Year Cancelled Encumbrance				
Unencumbered Cash Balance - Ending	<u>\$ -</u>	<u>\$ 7,243</u>		<u>\$ 382</u>

The accompanying notes to financial statements are an integral part of this statement.

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS
SPECIAL MACHINERY and FIRE CONTRIBUTION RESERVE

Schedule of Receipts and Expenditures – Actual*

Regulatory Basis

For the year ended December 31, 2014

(With Comparative Actual Amounts for the Year Ended December 31, 2013)

Special Machinery Reserve	Actual	Prior Year Actual
Receipts		
Interest on Idle Funds	\$ 46	\$ 41
Total Receipts	<u>46</u>	<u>41</u>
Expenditures		
Equipment		
Road Materials		
Capital Improvements		
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	<u>46</u>	<u>41</u>
Other Financing Sources (Uses)		
Operating transfers in		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>46</u>	<u>41</u>
Unencumbered Cash Balance - Beginning	<u>82,286</u>	<u>82,245</u>
Unencumbered Cash Balance - Ending	<u>\$ 82,332</u>	<u>\$ 82,286</u>
<i>*This fund is not required to be budgeted.</i>		
Fire Contribution Reserve		
Receipts		
Interest on Idle Funds	\$ 12	\$ 12
Contributions/Reimbursements	1,739	9,465
Total Receipts	<u>1,751</u>	<u>9,477</u>
Expenditures		
Equipment	24,471	
Capital Improvements	2,610	
Total Expenditures	<u>27,081</u>	<u>-</u>
Receipts Over (Under) Expenditures	<u>(25,330)</u>	<u>9,477</u>
Other Financing Sources (Uses)		
Operating transfers in		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>(25,330)</u>	<u>9,477</u>
Unencumbered Cash Balance - Beginning	<u>31,476</u>	<u>21,999</u>
Unencumbered Cash Balance - Ending	<u>\$ 6,146</u>	<u>\$ 31,476</u>
<i>*This fund is not required to be budgeted.</i>		

The accompanying notes to financial statements are an integral part of this statement.